
Emergency Reserve Fund

FY 2002 Proposed Operating Budget:	\$33,254,000
FY 2002 Proposed Capital Budget:	\$0

This transfer provides funding for the four-percent Emergency Reserve Fund, which is a restricted account within the General Fund. This fund may be accessed to address unanticipated and nonrecurring extraordinary needs of an emergency nature.

Budget Summary

The FY 2002 proposed transfer from the operating budget to the Emergency Reserve Fund is \$33,254,000, a decrease of \$28,152,016, or 45.8 percent, from FY 2001 (table TT0-1). There are no full-time equivalents (FTEs) supported by this budget, no change from FY 2001.

Agency Background

In November 1998, the District of Columbia, 46 states, and various jurisdictions signed a Master Settlement Agreement with the tobacco industry ending a four-year battle over treatment costs incurred for smoking-related illnesses. Under the settlement, the tobacco companies are scheduled to pay \$253 billion over a 25-year or longer period. The receiving governments may use the funds for any purpose including securing the issuance of revenue bonds.

In FY 2001, the District securitized the settlement payments in exchange for a lump-sum payment that will then be used to repay existing long-term debt, thereby creating relief from the debt service payments associated with that debt. The

\$33.3 million represents the amount of debt service that will be saved in FY 2002 as a result of this transaction. In future years, similar savings will be achieved.

The D.C Appropriations Act for FY 2001, as amended, requires that all debt service savings resulting from the tobacco securitization be transferred to the Emergency Reserve Fund each year until it is fully funded. After the reserve funds are fully funded, the debt service savings will be transferred to the Tobacco Settlement Trust Fund, established under section 2302 of the Tobacco Settlement Trust Fund Establishment Act of 1999 (Trust Fund).

Program

After the reserve funds are fully funded, debt service savings will be transferred to the Tobacco Trust Fund. Proceeds from this fund will be used in the following manner.

- 50 percent of the debt service savings will be devoted to program investments in areas such as health, and/or education, and 50 percent will be devoted to financial investments.

The FY 2002 proposed transfer from the operating budget to the Emergency Reserve Fund is \$33,254,000, a decrease of \$28,152,016, or 45.8 percent, from FY 2001.

Table TT0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Emergency Reserve Fund

	Actual FY 2000	Approved FY 2001	Proposed FY 2002	Change from FY 2001
Subsidies and Transfers	0	61,406	33,254	-28,152
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>0</i>	<i>61,406</i>	<i>33,254</i>	<i>-28,152</i>
Total Proposed Operating Budget	0	61,406	33,254	(28,152)

- Interest earnings from financial investments will be reinvested to increase the total assets of the fund.
- The 50-50 split will also apply to residual payments.

Additional information on the Emergency Reserve Fund can be found in the Financial Plan chapter.

Funding Summary

The proposed local budget is \$33,254,000, a decrease of \$28,152,016. The entire decrease is in subsidies and transfers. There are no FTEs supported by local sources. Refer to the FY 2002 Operating Appendices (bound separately) for details.